

Background Papers

Appendix D: Finding Common Solutions

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Good Afternoon. Now that we've had an opportunity to discuss the challenges and opportunities that each of the five natural resource-based industries are facing individually, it is now time to turn our attention to the issues we are facing collectively, and to put forward our best thinking as to how we find common solutions.

Even a cursory examination of Maine's history clearly illustrates the role that fishing, farming, and forestry have played in shaping the persona & heritage of this great state. When the first Maine Legislature convened in 1820 they adopted this shield. The display of a farmer, a mariner, the forest, land, and sea was an apt choice given 80% of Maine's workers was employed in these industries. Since that time, a number of powerful changes have occurred that have completely transformed our economic base:

- The industrial revolution
- The rise of the service sector
- The evolution of the knowledge-based economy
- Globalization of world markets
- Technology

While Maine's natural resource-based economy is clearly not as dominant as it once was – it remains a critical & foundational piece of today's economic base and provides livelihood to people in every county.

This morning was spent focusing on each industry individually:

Fishing – Maine's proud maritime heritage continues to support villages in all 8 coastal counties.

Farming – Agricultural operations dot the landscape of Maine; from the apple orchards and dairy farms that span the central inland counties to the vast potato fields of Aroostook and the blueberry barrens of Washington & Hancock Counties.

Forestry – Logging operations, lumber and wood products, pulp and paper production dominate the economic base of the four western mountain counties as well as Aroostook and Washington counties. And the vast infrastructure needed to finance, supply, and ultimately ship these products employs thousands across the state.

Tourism – Since the early days over a century ago, when people ventured to Poland Springs to taste the cool, healing waters, tourism has grown to be one of Maine's largest and most rapidly expanding industries as it now provides over \$8.5 billion in statewide economic impact.

Aquaculture – And over the past 2-3 decades, Maine's coastal waters have given birth to a new industry – aquaculture. This industry holds great promise for Maine given our fishing heritage and world demand for seafood products.

Each of these five industries is wonderfully unique, fiercely independent, and distinctly separate. And yet, as you look across the sectors, you discover undeniable commonalities and inextricable links. Now is the time to strengthen those links and come together to develop a joint course of action. Individually, the traditional industries represent a relatively small portion of our economy. But collectively, aquaculture, fishing, farming, and forestry start to amass political, financial & market clout, and when you add tourism – an industry based in part on the very natural resources you steward – you double your clout.

Together, the industries in this room today account for approximately 1 out of every 5 jobs in Maine. Together, the five industries in this room today contribute about 1 out of every 5 dollars of wealth generated. Together, you have a major presence in each of the 16 counties. Now that provides significant clout, and a great place to start flexing your collective muscle is to clearly understand the issues you share and work together towards common solutions that benefit all.

Access to the Natural Resource - In order for Maine's natural resource-based industries to survive and prosper, it's essential for them to have effective and continuing access to the resource they use. Be it relatively flat & open land for farming, sizable forests for harvesting wood, shore frontage & docking facilities for commercial fisheries & aquaculture, or access to Maine's lakes, rivers, mountains, ocean & forests for hunting, fishing, hiking, boating or camping. As simple and obvious as that may sound, there are some major trends that have been limiting access. These trends include – sprawling patterns of development, rising land valuations, conflicting uses of the resource, fragmentation of the land base, and changing ownership patterns of large forest tracts.

Land, particularly in southern and coastal areas, is being consumed at an alarming and accelerating rate. Over the past few decades there was as much land developed in Maine as there had been in the prior 150 years. And the forecast is for the area developed over the next few decades to double again. This pace of development and the sprawling pattern of development are putting enormous strain on our natural resources and on the industries that rely upon these resources for survival.

With rapid real estate growth, orchards and farmlands become attractive for residential sub-division, property values and tax valuations rise; fishermen are forced back from their extremely expensive shore front properties; farmers sell off their land base to fund retirement or to get out from under burdensome property taxes; and woodland owners are tempted to sell off parcels for development or to liquidate valuable timber.

The first cousin of sprawling patterns of development is the rise in conflicting uses. It's odd to imagine that subdivisions are built right next to working farms and then the new residents complain when manure is spread or tractors run in early morning hours. The same is true of those coastal residents who build upscale housing on the coast and are troubled by unsightly fishing vessels, smelly fishing gear, or aquaculture pens in their view.

And the fragmentation of the land base often results in parcels that are uneconomic for harvesting timber or planting crops and that alters or ruins animal habitats. Draft recommendations to address access issues include: strengthening service center communities to stem the ill-effects of sprawl on rural Maine, developing a clear, long-term vision and strategic action plan for statewide, public-private, land conservation & easements to assure multi-use working forestland, lake & ocean access & farmland preservation, reauthorizing the Land for Maine's Future program with a new bond issue, and strengthening "Right to Farm" and Right to Fish" laws.

Market Development and Branding - A second major cross-cutting issue is Market Development and Branding. With the commoditization of product markets and the evolution of fierce global competition, it has become increasingly difficult for small Maine firms to compete and to differentiate their products. We need expanded markets for Maine products within and beyond our borders. And

there are tremendous market development opportunities that could evolve from successful, comprehensive branding.

Separate branding campaigns have been developed for Maine's natural resource-based products and have met with success. Certainly Maine wild blueberries and other farm products are known for being fresh, healthy, and delicious. As is the Maine lobster and other seafood products – already recognized as being of the highest quality and value. And with the rapidly expanding certification of Maine wood, our premium forest products become even more valuable and attractive in the market place. Uniting these individual branding efforts under one common theme would only strengthen the message and would help make Maine's limited marketing dollars stretch a lot further.

In addition to comprehensive branding, other recommendations include strengthening links between Maine's agricultural entities and fisheries and restaurants and institutions. A vast under-served market is right here in Maine. Every effort should be made to serve and feature Maine food in – restaurants, bed & breakfasts, government buildings, university and college campuses, and at events such as this conference today where our food was "Made in Maine".

Strengthening farmer's markets helps local farmers, builds wonderful community ambiance and can provide cultural and eco-tourism opportunities. Another recommendation is that we develop & formalize strong working relationships with Atlantic Canada; exploring joint production and marketing of aquaculture and other seafood products as well as agricultural & forest products.

Strengthening Small Business Support - Once you strip out the paper companies and a few large resorts, the vast majority of businesses in these five industries are small – frequently considered micro-enterprises. Further, because they depend on particular natural resources, they tend to be located in far-flung rural areas. Given the small scale of their businesses and the remote location, it's very difficult to secure affordable insurances, to access technical and educational training, to participate in political processes, and to gain clout or purchasing power in the market place.

To strengthen our natural resource based businesses, we should encourage the development of strong partnerships with the University, the Community College, the Small Business Administration, and any other entity that can help deliver training out in rural regions. We should explore the development of apprenticeship & mentoring programs. And we should build on the successful 2+2+2 programs that offer an educational ladder from high school through the university.

Recently healthcare costs in Maine have grown much faster than in the nation. We should use the Dirigo Health Plan as well as forming inter-industry co-ops to purchase affordable health, dental, long term care, and worker's compensation insurances to help these sectors.

And as Maine's labor force ages and grows more slowly we need to ensure that our tourism and agricultural sectors have access to vital seasonal labor.

Objective Data, Research & Science - The fourth cross-cutting issue that emerged is the critical need for objective, timely, accurate data, research, and science. In a knowledge-based economy, research and development is the cornerstone of prosperity. For our tourism industry to prosper, we need to understand the carrying capacity of our tourism attractions as well as market trends. We need data to identify and capture new markets. We need science to ensure sustainability. We need information on best practices to reduce costs and improve products. We need a comprehensive, bold research agenda for Maine's natural resource-based industries that will enable us to fully participate in the new economy.

The *30 and 1000* effort which began in the late 90s and is fully and actively supported by the Baldacci Administration has already paid huge dividends in a very short period of time Maine has moved from 47th in the nation to 38th and our recent investments should continue to move us along that path.

In the same way that investing in R & D is helping to close the income gap that has long separated Maine from the nation, solid information on which our natural resource-based industries can make decisions will lead these industries towards growth.

In the lobster industry, for example, we know that landings have grown phenomenally. But we don't yet fully understand why the lobster population grew, if it will continue, or if it will collapse. And the scientific research needed for the fisheries is not that dissimilar to the types of research needed in forestry and farming to ensure a viable future.

And perhaps even more important than using research to address challenges we face is using research to identify new products and services. Maine sits on a vast ocean resource called the Gulf of Maine. Through the Gulf of Maine Ocean Observing System, we are only beginning to learn about the vast treasures that this gulf may hold. So frequently we base our view of the world on what we know now, but it's exciting to think that maybe the greatest opportunities for Maine's wood fibers, agricultural products or bi-products, and marine resources have not yet been discovered or developed.

Whether it's wood fiber used for new construction materials, forest or agricultural biomass converted to cleaner, renewable fuels, or medicine harvested from the sea, all offer great promise for Maine and all demand a vastly greater focus on research and development.

Tax Policy and Economic Development Industries - The fifth cross-cutting issue which touches all industries involves business climate factors such as, tax burden, energy costs, and regulatory issues. While these issues are certainly not unique to these 5 sectors, they are critically important nonetheless.

The recent referendum highlighted Maine's tax burden ranking, where we've led the nation for nine years. The only way to reduce burden is to cut programs, find efficiencies through regionalization and consolidation, or raise income. And this Governor has been steadfast in his refusal to raise taxes and in his commitment to containing spending.

And despite significant improvement since the restructuring of the electric utility industry, industrial electricity rates remain far above average. The excessive costs of doing business in Maine have certainly taken their toll on investment.

Maine has many old manufacturing facilities that desperately need capital investment in modernization if they hope to compete. As global competition accelerates, Maine firms must be encouraged and enabled to invest in technology and state-of-the-art processes. Maine's workers are currently only 80% as productive as workers nation wide. This is not at all an indictment of Maine workers' abilities or work ethic. It is an indictment of our investment climate. We must invest in technology and modern equipment if we want to increase productivity and compete.

Recommendations to address this issue include:

- Eliminate the Personal Property Tax on equipment and machinery
- Extend Pine Tree Zone benefits to natural resource-based industries
- Develop a plan for reducing energy costs
- Establish meaningful development incentives to encourage tourism investment in targeted areas.

Public Infrastructure - The final cross cutting issue that we'll explore today is Public Infrastructure. Infrastructure seems so basic, so mundane - and yet it is the linchpin of economic success. In no industries is traditional infrastructure more important than in the natural resource-based industries – roads, bridges, rail, and ports –all absolutely essential.

Transportation infrastructure is also of critical importance to the burgeoning tourism industry. The ability of the tourism industry to continue along a growth path will be determined, in part, by our

creative responses to highway congestion. Successful investment in –the Downeaster, the CAT, and the Island Explorer –provides great inspiration in this area.

DOT's inter-modal facilities are playing an important role in creating an efficient freight transportation system. And DOT investments in regional connectivity are absolutely essential in connecting Maine's goods and services to their markets in a cost effective and safe manner. Rail remains an important piece of the freight system as do ports and warehousing.

And sprawl has led to the genesis of a new infrastructure issue: Affordable Workforce Housing. Affordability of adequate housing has become a significant problem for Maine's 7 southern-most counties and led the Governor and the Legislature to put a workforce housing bond issue on the ballot last June.

We have been given the stewardship responsibility for one of the most breathtakingly beautiful places on earth. We have responsibility of preserving pristine lakes and rivers. This task is great considering the water-cover in Maine is roughly the same acreage as the entire state of Delaware.

We have responsibility for maintaining the 3000 miles of unique and stunningly gorgeous coastline – the crown jewel that attracts tourists, retirees, entrepreneurs, and students to Maine and provides livelihood to a number of marine industries.

We have responsibility for utilizing our vast forest resources in a responsible and sustainable manner.

As Charlie Colgan frequently states, the Maine economy is at a crossroads. The path is ours to choose. I see at least three possible choices:

We could choose a path of despair where we become overwhelmed by the huge market forces that press upon us and we become paralyzed – ensuring a continued downward spiral; or

We could choose the path of wishful thinking where we express some optimism but we remain passive – taking no action, and that path will likely lead us nowhere; or

We can choose the path of hope. Now I don't mean a Pollyanna approach that ignores or glosses over issues. I mean a hope that is active and tenacious. The seeds of hope must be planted in the harsh soils of reality. Hope must be nurtured with knowledge and vision for all that can be. Hope bears fruit with perseverance and action.

I return to our Seal. This is our Past. This is our Present. We owe it to ourselves and our children –to choose the path of hope –to make these industries a vibrant, dynamic part of our future.

Thank you.